



LARGE

BY KRISTEN HAMPSHIRE

Know When to **WALK AWAY**

Educating employees on pricing strategy encourages everyone to work toward the same goal: profitability.

Every time an AA Tex Lawn Co. truck stops at a job site, the company makes money. President Mark Lay makes sure of this by knowing his costs and pricing every job so that his profit margin is 5 to 10 percent, if possible. “If we aren’t making money, we do better to walk away,” he says, noting that landscape installation customers, in particular, are price-shopping with a vengeance this year.

“Everyone is wanting a lower price,” Lay says. “If anyone is spending money on landscape, they feel like they know they can get it done cheap because businesses are hurting.”

Meanwhile, landscape companies that focused on installa-

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TIRED OF **LOSING MONEY** ON EVERY PAYROLL?



Reality?

Employee Time Card

Bill Kemp

Monday, February 8, 2010 - Friday, February 12, 2010

Jobsite Name	Cost Code	Mon	Tues	Wed	Thu	Fri	Total
Brentwood Job	Irrigation	7:38	7:35	7:53	-	-	23:06
Crestview Job	Planting	-	-	-	7:58	7:49	15:47
		7:38	7:35	7:53	7:58	7:49	38:53

Regular Hours **38:53**
 Overtime Hours - 0 -
 Double Time Hours - 0 -

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tion have segued into maintenance, which has been stronger than design/build in most regions. Desperate to keep their schedules full, some are pushing down the pricing bar, which hurts when companies like Lay's compete for bids.



Lay

Still, Lay won't touch prices this year. "We're not brave enough to raise them," he says.

But he's not dropping them to bargain basement levels, either. He'll hold steady for 2010 and continue to streamline his operations, if necessary. Already, he has cut 16 percent of overhead costs by reviewing costs and tightening processes.

"We've had customers ask for lower prices, and we didn't give it to them and they went to someone else," Lay relates. "I don't want to just wear out my equipment. I can run a few less people instead if I have to."

For the past two years, Lay has focused seriously on job costing; the biggest mistake landscape contractors make is not spending time on this task. "You need to know if you go out there and price work and complete the job, what will you make per hour?" he explains. "Be truthful about your expenditures: delivery, materials, everything. Did you make any money on the work?"

Knowing the cost of a job provides more negotiating power. You can go lower on prices if you know you'll still come out with a profit. But bidding blindly rarely results in money made on a job. Lay relays this information to his salespeople and managers every Thursday during meetings when they discuss jobs.

Lay figures if he shares with salespeople and managers how much it truly

costs to complete a job, as well as the profits they make on each project, they will work harder to sell profitable jobs and, improve efficiency in the field.

Meanwhile, Lay is considering a scoring system for maintenance crews that will rate their performance based on total hours per day vs. billable time.

"The whole idea is clarity of picture," Lay says of this communication strategy. "If you can show people and they understand what and why, where and when, they are going to get it done."

Looking ahead, Lay doesn't expect the economy to shift much in 2010, and surely people will continue to underbid work. But those companies won't last. "People taking work for 60 or 80 cents on the dollar are driving themselves out of business, they just don't know it yet," he says.

And when those companies fall, there will be greater opportunity to win market share no matter the economy. "We've worked extremely hard in the last few years with the drought, gas prices and now the recession," Lay says. "We're like a bull dog with a bone, just workin' it hard. I know I have the greatest team here. When this thing turns around, there's a chance to come out bigger and make a run for it in the service industry." ©

AA Tex Lawn Co.

Principal: Mark Lay, president

Location: Charlotte, N.C.

Established: 1980 **2009 Revenue:** more than \$3 million

Customers: 85% commercial maintenance; 15% landscape enhancement

Services: Landscape maintenance and enhancement **Employees:** 50